

## CHAPTER III: STATE EXCISE

### 3.1.1 Tax administration

The Additional Chief Secretary to the Government of Haryana, Excise and Taxation Department, is the administrative head at Government level and the Excise and Taxation Commissioner (ETC) is head of the Department. The ETC is assisted by the Collector (Excise) at headquarter and Deputy Excise and Taxation Commissioners (Excise) {DETCs (Excise)}, Assistant Excise and Taxation Officers (AETOs), Inspectors and other allied staff for proper administration of State Excise Acts/Rules in the field.

Excise revenue is mainly derived from the license fee for grant of license of various vends, excise duties levied on spirit/beer removed from distilleries/breweries and on their import/export to and from any other States.

### 3.1.2 Results of audit

In 2015-16, test check of the records of 38 units out of 77 units of State Excise Department as well as a Performance Audit on “**Receipts from State Excise Duty**” revealed non/short realisation of excise duty/license fee/interest/penalty and other irregularities involving ₹ 69.40 crore in 246 cases which fall under the following categories as tabulated in **Table 3.1** below.

**Table 3.1: Results of audit**

Sr. No.	Categories	Number of cases	Amount (₹ in crore)
1.	Non/short deposit of license fee and loss of interest	155	3.38
2.	Non-realisation of differential amount of license fee on re-allotment of vends	4	3.21
3.	Non imposition of penalty	48	1.22
4.	Non-recovery of penalty on illicit liquor	32	0.09
5.	Miscellaneous irregularities	6	0.94
6.	Performance Audit on “Receipts from State Excise Duty”	1	60.56
	<b>Total</b>	<b>246</b>	<b>69.40</b>

During the year, the Department accepted under-assessment and other deficiencies amounting to ₹ 62.37 crore involved in 41 cases out of which ₹ 62.30 crore involved in 29 cases were pointed out during the year and the rest in earlier years. The Department recovered ₹ 11.89 crore out of which ₹ 0.25 crore relates to the year 2015-16 and the rest to earlier years.

## **3.2 Receipts from State Excise Duty**

### **3.2.1 Highlights**

The performance audit of the functioning of the Excise and Taxation Department relating to the levy and collection of excise duty on liquor brought out non-adherence to the provisions of the Acts and rules resulting in non/short collection of excise revenue amounting to ₹ 60.56 crore. Some of the significant findings were as follows:

- Lack of action to recover security and additional security from 20 licensees resulted in non/short deposit of ₹ 28 lakh.

**(Paragraphs 3.2.7)**

- Non-compliance to the rules providing for levy of interest for delay in payment of license fee resulted in short-recovery of license fee and interest of ₹ 44.80 crore from defaulting licensees of retail outlets.

**(Paragraph 3.2.8)**

- Failure to recover differential license fee arising from re-allotment of retail outlets due to the default of the original allottee as well as failure to re-auction vends resulted in non-realisation of revenue of ₹ 5.19 crore.

**(Paragraph 3.2.9)**

- The Department failed to levy and recover penalty of ₹ 7.09 crore from 466 defaulting licensees on account of short/excess lifting of quarterly basic quota.

**(Paragraphs 3.2.10)**

- The Department failed to levy and recover penalty of ₹ 1.83 crore from 322 offenders on account of illegal possession and trade of liquor.

**(Paragraphs 3.2.11)**

- The Department did not recover ₹ 1.65 crore on account of salary of excise establishment deployed from the management of distilleries.

**(Paragraph 3.2.12)**

### **3.2.2 Introduction**

Excise duty on alcoholic liquor for human consumption and for medicinal and toilet preparations containing alcohol or opium, Indian hemp and narcotics is levied and collected under the Punjab Excise Act, 1914 and Rules<sup>1</sup> made thereunder as applicable to the State of Haryana. Excise revenue consists of

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<sup>1</sup> Punjab Distillery Rules, 1932 (Haryana), Punjab Excise Fiscal Orders, 1932 (Haryana), Punjab Brewery Rules, 1956 (Haryana) and HLL Rules.

receipts derived from bid money and annual license fee for the grant of retail and wholesale vend, fines for confiscation of illicit liquor imposed/ordered and export/import duty. It also includes revenue from manufacture, possession and sale of Indian Made Foreign Liquor (IMFL)/Country Liquor (CL). The Haryana Liquor License Rules, 1970 (HLL Rules), empower the Government to frame an excise policy prescribing the procedure and fixation of reserve price and license fee for grant of retail and wholesale vend selling IMFL and CL.

### **3.2.3 Audit objectives**

A performance audit of the Excise and Taxation Department was conducted to review the functioning of the Excise and Taxation Department regarding levy and collection of excise duty on liquor. The audit objectives were to assess whether:

- budget estimates (BEs) were prepared in accordance with the prescribed procedure and were realistic;
- the provisions of the State Excise Act, Rules and instructions issued by the Department were followed;
- State excise policies had been framed as per the Rules and extent of compliance to the provisions of the State excise policies; and
- an effective internal control and monitoring mechanism was in existence in the Department.

### **3.2.4 Scope and methodology**

Records relating to levy, assessment and collection of excise duty, license fees and penalties during the period 2010-11 to 2014-15 were tested checked between October 2015 and April 2016 in respect of six districts<sup>2</sup> out of 21 districts. These six districts were selected on the basis of probability proportional to size method (without replacement). Faridabad and Gurgaon districts were selected on the basis of risk analysis. Bhiwani district was included on the suggestion made by the Department during entry conference. In addition, five distilleries were also selected. Observations noticed during audit for the years 2010-11 to 2014-15 have also been taken into account wherever considered necessary to facilitate a holistic assessment.

An entry conference was held on 6 November 2015 with the ETC, Excise and Taxation Department wherein the audit objectives, audit criteria and methodology adopted for selection of districts were explained/discussed and the exit conference was subsequently held on 21 July 2016. The views of the Department have been appropriately incorporated in the report. The draft

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<sup>2</sup> Hisar, Jind, Karnal, Kurukshetra, Rohtak and Yamunanagar.

performance audit report was forwarded to the Government in July 2016. Their response was awaited (October 2016).

We acknowledge the co-operation of the Excise and Taxation Department in providing necessary information and records required for the audit.

### **3.2.5 Audit criteria**

The audit criteria were derived from the following sources:

- The Punjab Excise Act, 1914;
- The Punjab Distillery Rules, 1932 (Haryana);
- The Punjab Excise Fiscal Orders, 1932 (Haryana);
- The Punjab Brewery Rules, 1956 (Haryana);
- The Haryana Liquor License Rules, 1970;
- The Haryana Imposition and Recovery of Penalty Rules, 2003; and
- State excise policies for the years 2010-11 to 2014-15.

### **Audit findings**

#### **System deficiencies**

### **3.2.6 Trend of excise revenue**

Para 3.2 of the Punjab Budget Manual (PBM), as applicable to the State of Haryana, provides that the Budget Estimates (BEs) of revenue receipts for the ensuing year should be based on the BEs of the year just closed, actuals of the two years preceding the year that just closed, actuals of the previous year for the last six months and actuals of current year for the first six months to make the estimates more realistic.

Details of BEs prepared by audit as per the PBM and BEs prepared by the Department and actual receipts from the State excise duty (SED) during the years 2010-11 to 2014-15 are depicted in **Table 3.2.6** and **Graph 3.2**:

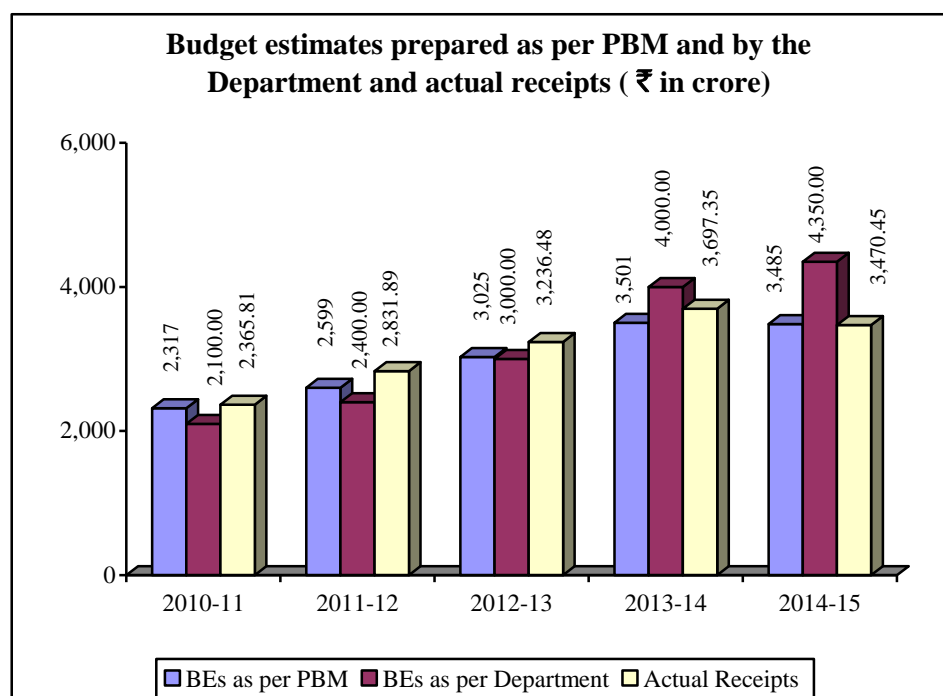
**Table 3.2.6: Variation between BEs prepared by audit as per PBM and the Department and actual receipts from SED**

Year	BEs of SED prepared as per (₹ in crore)		Actual SED (₹ in crore)	Increase (+) /decrease (-) of SED vis-a vis BEs prepared as per (₹ in crore)		Percentage increase (+)/ decrease (-) of SED over BEs prepared as per	
	PBM	Department		PBM	Department	PBM	Department
2010-11	2,317.00	2,100.00	2,365.81	(+) 48.81	(+) 265.81	(+) 2.11	12.66
2011-12	2,599.00	2,400.00	2,831.89	(+) 232.89	(+) 431.89	(+) 8.96	18.00
2012-13	3,025.00	3,000.00	3,236.48	(+) 211.48	(+) 236.48	(+) 6.99	7.88

Year	BEs of SED prepared as per (₹ in crore)		Actual SED (₹ in crore)	Increase (+) /decrease (-) of SED vis-a vis BEs prepared as per (₹ in crore)		Percentage increase (+)/ decrease (-) of SED over BEs prepared as per	
	PBM	Department		PBM	Department	PBM	Department
2013-14	3,501.00	4,000.00	3,697.35	(+) 196.35	(-) 302.65	(+) 5.61	(-) 7.57
2014-15	3,485.00	4,350.00	3,470.45	(-) 14.55	(-) 879.55	(-) 0.42	(-) 20.22

The increase in actual receipts of SED over BEs prepared by the Department ranged between 7.88 and 18 per cent during the years 2010-11 to 2012-13. Subsequently, there was a decrease in actual receipts of SED over BEs prepared by the Department ranging between 7.57 and 20.22 per cent during the years 2013-14 and 2014-15 respectively.

Graph 3.2



The Department stated (July 2016) that the BEs were prepared on the basis of annual targets fixed by the Government and that the Department was able to collect more revenue than the target fixed by the Government during the years from 2010-11 to 2012-13. Subsequently, the Hon'ble Punjab and Haryana High Court in its judgement in March 2014 directed that all vends be shifted away from the National/State Highways. Consequently, there was decrease in collection of SED during the years 2013-14 and 2014-15.

An audit analysis of the BEs of SED prepared as per instructions contained in para 3.2 of the PBM *ibid* and on the basis of the targets fixed by the Government revealed that the increase/decrease of actual receipts of SED vis-à-vis BEs would have ranged between (-) 0.42 and (+) 8.96 *per cent* during the years 2010-11 to 2014-15 instead of between (-) 20.22 and (+) 18.00 *per cent* during the same period. This indicates that the BEs of SED prepared on the targets projected by the Government were inaccurate. The monitoring of the revenue collection would have been more effective and accurate in case these were prepared on the basis of instructions contained in the PBM. Moreover, such accuracy of the BEs would lead to more accurate and realistic budgeting for the year.

### ***Compliance deficiencies***

#### ***3.2.7 Non/short deposit of security and additional security***

Under the HLL Rules read with the State excise policies for the years 2013-14 and 2014-15, every successful allottee of retail licensed liquor outlet shall deposit security amount equal to 21/20 *per cent* of the annual license fee by 7<sup>th</sup> April of the respective year. In case of vends/group of vends allotted/re-allotted during the currency of the respective year, 10 *per cent* security shall be deposited on the day of allotment and remaining 11/10 *per cent* shall be deposited within ten days of the allotment. Further, payment of additional security of ₹ 1 lakh, ₹ 2 lakh and ₹ 5 lakh is to be made by retail licensed liquor outlet having annual license fee up to ₹ 75 lakh, exceeding ₹ 75 lakh and up to ₹ 500 lakh, and exceeding ₹ 500 lakh respectively.

Audit scrutiny (between April 2014 and April 2016) of the records of DETCs (Excise) Gurgaon, Karnal and Mahendragarh for the years 2013-14 and 2014-15 revealed that the licensees of 20 retail outlets which were auctioned for ₹ 27.06 crore did not deposit the security/additional security amount in full by the stipulated date of 7<sup>th</sup> April. The allottees deposited ₹ 2.21 crore of the total security/additional security of ₹ 2.49 crore resulting in non/short deposit of security/additional security of ₹ 28 lakh.

On this being pointed out, DETC (Excise) Mahendragarh stated (December 2015) that an amount of ₹ 3.99 lakh had been recovered in two cases.

#### ***3.2.8 Non/short recovery of license fee and interest***

The HLL Rules read with State excise policies for the years from 2010-11 to 2014-15 stipulate that every licensee holding a license for retail outlets of IMFL and CL vends shall make payment of monthly instalment of license fee by 20<sup>th</sup> of each month. Failure to do so renders him liable to pay interest at the rate of one and half *per cent* per month for the period from the first of the

month in which the license fee was due to the date of payment of the instalment or any part thereof. If the licensee fails to deposit the monthly instalment in full along with interest by the end of the month, the licensed retail outlet shall cease to be in operation on the first day of the following month and shall ordinarily be sealed by the DETC (Excise) of the respective district. Audit scrutiny revealed non-compliance with these rules resulting in short recovery of license fee and interest totaling ₹ 44.80 crore as summarised in succeeding paras.

**3.2.8.1** Audit scrutiny (between February 2012 and April 2016) of the records of 12 offices<sup>3</sup> for the years 2010-11 to 2014-15 revealed that 254 retail outlets for sale of IMFL and CL were allotted to licensees for ₹ 293.22 crore. The licensees had paid license fee of only ₹ 263.97 crore and the balance license fee of ₹ 29.25 crore was yet to be deposited by the licensees. The DETCs (Excise) did not initiate any action to seal vends for short deposit of monthly instalment in full by the end of the month and to levy interest on belated payment of license fee. This resulted in short recovery of license fee of ₹ 29.25 crore. In addition, interest of ₹ 2.49 crore was also leviable.

On this being pointed out, five DETCs<sup>4</sup> (Excise) stated (between December 2015 and May 2016) that an amount of ₹ 8.88 crore had been recovered in 40 cases.

**3.2.8.2** Audit scrutiny (between February 2012 and April 2016) of the records 16 offices<sup>5</sup> for the years from 2010-11 to 2014-15 revealed that 625 licensees had paid monthly instalments of license fee of ₹ 544.67 crore for the period between April 2010 and December 2014 with delay ranging from 21 to 435 days. The DETCs (Excise), however, did not initiate any action to seal the vends for non-deposit of monthly instalments by the end of the month and to levy interest for belated payment of the license fee. This resulted in non-levy of interest<sup>6</sup> of ₹ 13.06 crore.

On this being pointed out, 10 DETCs<sup>7</sup> (Excise) stated (between April 2015 and May 2016) that an amount of ₹ 2.13 crore had been recovered in 86 cases between September 2012 and April 2016.

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<sup>3</sup> Ambala, Bhiwani, Faridabad, Gurgaon, Jhajjar, Karnal, Mahendragarh, Palwal, Panchkula, Rohtak, Sonapat and Yamunanagar.

<sup>4</sup> Faridabad, Jhajjar, Karnal, Mahendragarh and Rohtak.

<sup>5</sup> Ambala, Bhiwani, Faridabad, Fatehabad, Gurgaon, Jhajjar, Jind, Kaithal, Karnal, Mahendragarh, Palwal, Panchkula, Rewari, Rohtak, Sonapat and Yamunanagar.

<sup>6</sup> Interest calculated up to 31 March 2016.

<sup>7</sup> Bhiwani, Fatehabad, Gurgaon, Jhajjar, Jind, Kaithal, Mahendragarh, Rewari, Rohtak and Yamunanagar.

### **3.2.9 Non-realisation of differential license fee on re-auction**

Under the HLL rules read with the State excise policies for the year 2010-11 to 2014-15, in case the allottee fails to make payment of security deposit and defaults in payment of license fee along with interest, the licensed outlet shall cease to be in operation on the first day of the following month and the DETC (Excise) may re-allot it at the risk and cost of original allottee after seeking prior permission of the ETC. Audit scrutiny brought out non-adherence to these stipulations resulting in non-realisation of government revenue of ₹ 5.19 crore as detailed below.

**3.2.9.1** Audit scrutiny (between March 2012 and March 2016) of the records of five offices<sup>8</sup> of DETC (Excise) for the years 2010-11 to 2011-12 and 2013-14 to 2014-15 revealed that 18 retail outlets were auctioned between March 2010 and March 2014 for ₹ 16.33 crore. The allottees however failed to pay monthly instalments of license fee in full by the due date. Of the total license fee of ₹ 16.33 crore, the allottees deposited security and monthly license fee of ₹ 7.19 crore and failed to deposit the balance amount of ₹ 9.14 crore. While the Department cancelled their retail outlets and thereafter re-auctioned/re-allotted them between August 2010 and December 2014 for ₹ 4.70 crore for the remaining period at the risk and cost of original allottees, it failed to initiate action to recover the differential amount of license fee of ₹ 4.44 crore (₹ 9.14 crore - ₹ 4.70 crore) from the original allottees. This resulted in non-realisation of Government revenue of ₹ 4.44 crore.

**3.2.9.2** Audit scrutiny (between May and July 2014) of the records of DETCs (Excise) Hisar and Karnal for the year 2013-14 revealed that two retail outlets were auctioned in March 2013 for annual license fee of ₹ 3.42 crore. The licensees of retail outlets failed to pay monthly instalments of license fee in full by the due date. Of the total license fee of ₹ 3.42 crore, the allottees deposited monthly license fee of ₹ 2.67 crore up to October and November 2013. The Department, however, neither took action to re-auction vends at the risk and cost of original allottees nor did they initiate action to recover the license fee of ₹ 75.12 lakh from the allottees. This resulted in non-realisation of Government revenue to the extent of ₹ 75.12 lakh.

On this being pointed out, DETCs (Excise) Hisar and Karnal stated (December 2015) that an amount of ₹ 38.78 lakh had been adjusted from security amount of licensees.

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<sup>8</sup> Bhiwani, Jhajjar, Karnal, Palwal and Sonapat.



### **3.2.10 Non-levy of penalty/additional excise duty on short/excess lifting of quarterly basic quota**

To plug leakage of liquor and safeguard revenue, lifting of basic quota is stipulated under the provisions of the HLL Rules read with State excise policy for the years 2013-14 and 2014-15. A licensee is liable to lift the entire basic quota of IMFL and CL allotted to his vend as per the prescribed quarterly schedule failing which penal provisions are invoked. Non-lifting of prescribed quarterly quota attracts penalty at the rate of ₹ 65 and ₹ 20 per proof litre (PL) for IMFL and CL respectively for the deficient quantity. Further, in case of allotment of vends during the currency of financial year, the quarterly quota for the remaining quarters of the year shall be computed on proportionate basis from the quota allotted. Excess lifting of prescribed quarterly quota attracts additional excise duty at the rate of ₹ 20 and ₹ 8 per PL for IMFL and CL respectively for the excess quantity. Non-adherence to these stipulations resulted in non-levy of penalty and additional excise duty amounting to ₹ 7.09 crore as brought out below.

**3.2.10.1** Audit scrutiny (between May 2014 and April 2016) of the records of 11 offices<sup>9</sup> of DETCs (Excise) for the years 2013-14 and 2014-15 revealed that 227 retail outlet licensees were required to lift the combined quota of 47.41 lakh PLs of IMFL and CL. However, the licensees lifted 36.01 lakh PLs of IMFL and CL against the combined liquor quota. Thus, the licensees lifted short basic quota by 11.40 lakh PLs of IMFL and CL. However, the DETCs (Excise) had not initiated action to levy penalty for short lifting of quota resulting in non-levy of penalty of ₹ 4.23 crore.

On this being pointed out, DETC (Excise) Fatehabad stated (May 2016) that penalty of ₹ 7.86 lakh had been recovered in five cases.

**3.2.10.2** Audit scrutiny (between March and April 2016) of the records of five offices<sup>10</sup> of DETC (Excise) for the year 2014-15 revealed that 239 retail outlet licensees during the currency of the year 2014-15 had lifted 47.65 lakh PLs of IMFL and CL against the combined liquor quota of 25.37 lakh PLs of IMFL and CL. Thus, the licensees lifted excess basic quota by 22.28 lakh PLs of IMFL and CL. However, the DETCs (Excise) had not initiated action to recover additional excise duty for excess lifting of quota resulting in non-levy of additional excise duty of ₹ 2.86 crore.

<sup>9</sup> Bhiwani, Faridabad, Fatehabad, Gurgaon, Karnal, Kurukshetra, Panchkula, Rewari, Rohtak, Sonapat and Yamunanagar.

<sup>10</sup> Bhiwani, Faridabad, Gurgaon, Rewari and Sonapat.

### **3.2.11 Non-recovery/levy of penalty for illegal possession and trade of liquor**

Section 61 (1) (aaa) (c) (i) of the Punjab Excise Act, 1914, as applicable to the State of Haryana, provides that penalty of not less than ₹ 50 and not more than ₹ 500 per bottle of 750 milli-litres is leviable on an offender for possession of illicit liquor<sup>11</sup>. Further, Haryana Imposition and Recovery of Penalty Rules, 2003, provide that in case penalty is not paid within stipulated period, the Collector or DETC (Excise) shall pass orders for confiscation of means of transport seized along with liquor and the means of transport shall be put to auction within 30 days from the order of confiscation. Again, non-adherence to these stipulations resulted in non-recovery of ₹ 1.83 crore as below.

**3.2.11.1** Audit scrutiny (between August 2014 and March 2016) of the records of seven<sup>12</sup> offices of DETC (Excise) for the years 2010-11 to 2011-12 and 2013-14 to 2014-15 revealed that the Department had detained 85,191 bottles of illicit liquor between April 2010 and March 2015 in 139 cases and confiscated 12 vehicles in DETCs (Excise) Fatehabad, Hisar and Kurukshetra. The Department, after serving notice and examining the evidence produced by the offender concerned, imposed penalty of ₹ 1.48 crore but recovered only ₹ 4.19 lakh. The Department had not initiated action to recover the balance penalty either by auctioning the confiscated vehicles or by recovery as arrears of land revenue even after the lapse of one to six years. Non observance of rules resulted in non-recovery of penalty of ₹ 1.44 crore.

On this being pointed out, DETC (Excise) Jind stated (January 2016) that an amount of ₹ 90,000 had been recovered in one case.

**3.2.11.2** Audit scrutiny (between July 2015 and April 2016) of the records of eight offices<sup>13</sup> of DETC (Excise) for the years 2013-14 and 2014-15 revealed that the Department had detained 77,729 bottles of illicit liquor in 183 cases between July 2013 and March 2015 and confiscated 36 vehicles in six districts<sup>14</sup>. The Department had neither imposed even a minimum penalty nor did it initiate any action to recover the penalty by disposal of the confiscated vehicles. This resulted in non-levy of minimum penalty of ₹ 38.86 lakh.

### **3.2.12 Non-realisation of Establishment charges**

Under Rules 13 and 16 of the Punjab Distillery Rules, 1932 (Haryana), a licensee shall agree to the deployment of Government excise establishment in

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<sup>11</sup> Illicit liquor means liquor prepared unlawfully without any quality control checks, which is not suitable for human consumption due to higher alcoholic concentration than the permissible limit.

<sup>12</sup> Bhiwani, Faridabad, Fatehabad, Hisar, Jind, Kurukshetra and Sonapat.

<sup>13</sup> Ambala, Faridabad, Gurgaon, Hisar, Jind, Karnal, Rohtak and Yamunanagar.

<sup>14</sup> Faridabad, Gurgaon, Hisar, Jind, Karnal and Yamunanagar.

his distillery for the purpose of ensuring due observance of the rules and for watch and ward. The licensee shall, if required by the Excise Commissioner, make into the Government treasury such payment as may be demanded on account of the salaries of the Government excise establishment deployed in the distillery but he shall not make any direct payment to any member of such establishment. Further, under clauses 3.9 and 8.9 of State excise policies for the years 2010-12 and 2012-15 respectively, the salary cost of supervisory staff deployed in the premises/facility of any licensee shall be recovered on quarterly reimbursement basis.

Audit scrutiny (between October 2015 and March 2016) of the records of five offices<sup>15</sup> of DETC (Excise) for the years 2010-11 to 2014-15 revealed that the Department had deployed 40 excise supervisory staff in five distilleries. The establishment charges aggregating to ₹ 1.65 crore payable for the years 2010-11 to 2014-15 towards the Government excise establishment deployed for ensuring due observance of the rules were, however, neither demanded by the Department nor paid by the management of these distilleries. Non-observance of the rules resulted in non-realisation of establishment charges of ₹ 1.65 crore.

On this being pointed out, officer-in-charge stated (October 2015) that an amount of ₹ 9.05 lakh had been recovered for the staff posted at one distillery.

### **3.2.13 Internal control mechanism**

#### **3.2.13.1 Inadequate internal control and monitoring**

In order to have an effective internal control mechanism, the Department prescribes 14 statements/returns to be furnished every month by the DETCs (Excise) and the management of distilleries and breweries to ETC.

Scrutiny of the records in the office of the ETC, Haryana revealed that while the prescribed monthly statements/returns in respect of working of DETC (Excise) offices, distilleries and breweries in the State were received in time, the information with year-wise and district-wise quantum of monthly progress reports due and received had not been consolidated at ETC office which would facilitate monitoring. Further, the Department failed to provide details of arrears of revenue as on 1 April 2010 and 31 March 2015. However, the details of arrears of revenue collected from seven offices<sup>16</sup> of DETCs (Excise) revealed that ₹ 108.16 crore was recoverable in 1,280 cases as on 31 March 2015. The Department failed to make concerted efforts to recover the arrears of revenue which were outstanding for years ranging between one to 46 years.

<sup>15</sup> Faridabad, Gurgaon, Hisar, Karnal and Yamunanagar.

<sup>16</sup> Bhiwani, Faridabad, Gurgaon, Hisar, Jind, Rohtak and Yamunanagar.

The Department neither started proceedings to recover it as arrears of land revenue nor did it take any steps to write off such arrears which had no scope for recovery.

The Department informed (July 2016) audit that a module for Management Information System was under development and would be implemented shortly.

### **3.2.13.2 Inadequate coverage of internal audit**

Internal audit is a tool in the hands of management to assure itself that the prescribed systems are functioning properly. The internal audit wing had planned audit of 105 field offices between April 2010 and March 2015 but audit of 61 field offices (58 *per cent*) was conducted during the same period. Thus, audit of remaining 44 field offices (42 *per cent*) was pending as on 31 March 2016 indicating poor planning. Further, audit notes were neither made available nor did the Chief Accounts Officer furnish the details of objections raised and settled. It was evident that internal audit mechanisms needed to be strengthened to ensure timely detection and correction of errors in levy and collection of excise duty, fee, penalty etc.

### **3.2.14 Conclusion**

State excise duty is an important source of revenue constituting 14 *per cent* of total tax revenue of the State Government. Efficient collection therefore has significant implications from the point of view of availability of State resources. A more realistic preparation of budget projections would facilitate effective monitoring of collection efforts and better results while adherence and enforcement of the provisions of the Acts would augment revenues. The need for stricter enforcement of the provisions of the relevant Acts and rules and for more effective monitoring is evidenced by non/short recovery of ₹ 60.56 crore in the illustrative examples highlighted in the report. Loss or leakage of revenue could be minimised by strengthening internal control and internal audit mechanisms.

### **3.2.15 Recommendations**

It is recommended that the Government:

- Ensure strict application of the provisions of the Acts and rules by all revenue authorities;
- Strengthen mechanisms to recover license fee, interest, penalty and additional excise duty from the allottees before the close of the financial year; and
- Strengthen internal control and internal audit mechanisms for greater coverage and effectiveness.